Annual Financial Statements

for

THULAMELA MUNICIPALITY

for the year ended 30 June **2009**

Province: Limpopo

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THULAMELA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
2009

General information

Members of the Council

	Name			Name
Mayor	MAKUMBANE TN		Member	MAROLE RT
Speaker	CHAUKE FT		Member	MARUTHA MD
Chiefwhip	MAMMBA ME		Member	MATAMBELE NA
EXCO Member	FUNGHENI MC		Member	MATHEBULA TS
EXCO Member	MABASA J		Member	MBEDZI TS
EXCO Member	MAHOSI NG		Member	MKHATYWA S
EXCO Member	MALINDI OT		Member	MPHAPHULI KC
EXCO Member	MULANDANA MA		Member	MPHAPHULI TN
EXCO Member	NENGUDA DA		Member	MPILO TS
EXCO Member	MULAUDZI NS		Member	MTILENI TV
EXCO Member	NETHONONDA L		Member	MUEDI ET
Member	BALOYI ME		Member	MUGERI SA
Member	CHABANI KS		Member	MUKHELI M
Member	MALULEKE HT		Member	MULAUDZI KE
Member	MALULEKE ML		Member	MULAUDZI MM
Member	MALULEKE NA		Member	MULAUDZI NB
Member	MUSALAFU ME		Member	MULAUDZI VE
Member	NDOU NR	deceased	Member	MULOVHEDZI HP
Member	SHIRINDZI MP		Member	MUOFHE MB
Member	TEMBA MP		Member	MUTOTI N W
Member	BALOYI MJ		Member	NEMARANZHE K
Member	BILA TJ		Member	NEMUKULA TT
Member	DAVHANA AJ		Member	NETHENGWE AP
Member	DOMBO MB		Member	NETSHIAVHA M
Member	KENNEDY M		Member	NETSHIFHEFHE KJ
Member	KHOLOPHE A		Member	NGWANA RE
Member	LAMBANI ME		Member	NYANBENI TD
Member	LIGARABA LE		Member	PHASWANA MS
Member	LUTHADA MB		Member	RAMMANO LP
Member	MABASA KK		Member	RAMMELA MS
Member	MADONDO LM		Member	RAMUDINGANE AE
Member	MAGADA TS		Member	RAMULIFHO HB
Member	MAHOLWANA KE		Member	RATSHITANGA TR
Member	MALADA TP		Member	SAMBO TM
Member	MALULEKE HJ		Member	SHIBAMBO PM
Member	MALULEKE SG		Member	SIGIDANE ND
Member	MANDIWANA NE		Member	TSHITAHE NA
Member	MANGANYI MN			

Municipal Manager

Mathivha MH

Chief Financial Officer

Madzhie Mavis Azwianewi

Grading of Local Authority

Grade 4

Auditors

Auditor-General

Bankers

First National Bank

General information (continued)

Registered Office:	THULAMELA MUNICIPALITY
Physical address:	Old Agrieven building Thohoyandou 0950
Postal address:	**Private bag X5066** Thohoyandou 0950
Telephone number:	015 962 7500
Fax number:	015 962 4020
E-mail address:	mathivhamh@thulamela.gov.za

THULAMELA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

DATE

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STATEMENT OF FINANCIAL POSITION

as at 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS & LIABILITIES			
Net Assets		**514 012 059**	**547 392 777**
Accumulated surplus/(deficit)		514 012 059	547 392 777
Current liabilities		**82 070 268**	**142 829 169**
Consumer deposits	2	556 286	556 270
Provisions	3	458 470	-
Trade and other payables	4	70 400 685	141 739 111
Unspent conditional grants and receipts	5	1 845 414	533 788
Bank Overdraft	12	8 809 413	-
Total Net Assets and Liabilities		**596 082 327**	**690 221 946**
ASSETS			
Non-current assets		**478 036 839**	**411 805 339**
Intangible assets	7	159 400	-
Property, plant & equipment	31	477 868 759	409 142 910
Investments property	29	-	-
Non-current receivables	8	8 680	2 662 428
Current assets		**118 045 488**	**278 416 608**
Inventory	9	47 810 443	63 698 753
Consumer debtors	10	43 458 134	178 664 172
Other reveivables	11	25 521 876	12 863 915
Current portion of long-term receivables	8	209 169	1 706 813
Cash and cash equivalents	12	1 045 866	21 482 955
Total Assets		**596 082 326**	**690 221 946**
		0.52	**(0.07)**

		2009	2008
Assets			
Current assets		**118 045 488**	**278 416 608**
Inventory	9	47 810 443	63 698 753
Consumer debtors	10	43 458 134	178 664 172
Other reveivables	11	25 521 876	12 863 915
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Non-current assets		**478 036 839**	**411 805 339**
Intangible assets	7	159 400	-
Property, plant & equipment	31	477 868 759	409 142 910
Investments property	29	-	-
Non-current receivables	8	8 680	2 662 428
Total Assets		**596 082 326**	**690 221 946**
Current liabilities			
Consumer deposits	2	556 286	556 270
Provisions	3	458 470	-
Trade and other payables from exchange transactions	4	70 400 685	141 739 111
Unspent conditional grants and receipts	5	1 845 414	533 788
Bank Overdraft	12	8 809 413	-
Total Liabilities		**82 070 268**	**142 829 169**
Net Assets		**514 012 058**	**547 392 777**
Net Assets			
Accumulated surplus/(deficit)		514 012 059	547 392 777
Total net Assets		**514 012 059**	**547 392 777**

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended
30 June 2009

	Note	Actual 2009 R	2008(Restated) R
REVENUE			
Property rates	13	8 420 480	6 450 040
Service charges	14	38 156 479	33 878 822
Rental of facilities and equipment	35	304 263	364 270
Iinterest earned – external	16	2 508 360	4 655 320
Interest earned – outstanding debtors	17	16 490 050	12 172 347
Fines		3 330 038	1 998 338
Licenses and permits		8 668 081	416 137
Government grants and subsidies receive	15	218 288 477	194 793 873
Other revenue	18	18 920 278	2 606 812
Total Revenue		**315 086 506**	**257 335 960**
EXPENDITURE			
Employee related costs	19	108 561 548	83 545 238
Remuneration of councillors	20	14 602 077	12 484 168
Collection costs		2 503 200	1 065 239
Depreciation	37	16 039 891	14 466 831
Repairs and maintenance		18 504 023	13 326 534
Finance cost	21	-	-
Bulk purchases	22	5 460 191	10 863 758
Contracted services	36	2 548 655	1 747 412
Administrative expenses	24	91 103 871	62 525 803
Assets written off		5 109	16 031 273
Provision for for doubtful debts	41	163 511 737	8 636 100
Total Expenditure		**422 840 303**	**224 692 354**
Surplus/(deficit) for the year		**(107 753 797)**	**32 643 606**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(107 753 797)**	**32 643 606**

CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts	275 434 487	253 653 075
Cash receipts from taxes, levies and fines	11 750 517	8 448 378
Service charges	9 850 796	19 522 158
Grants	219 600 103	195 327 661
Interest received	18 998 409	16 827 667
Other receipts	15 234 662	13 527 210
Payments	(223 902 133)	(178 097 703)
Employee costs	(117 298 251)	(96 009 927)
Suppliers	(106 603 883)	(82 087 776)
Net cash flows from operating activities	**51 532 354**	**75 555 372**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(84 770 849)	(93 997 403)
Purchase of intangible assets	(159 400)	-
Net cash flows from investing activities	**(84 930 249)**	**(93 997 403)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long term receivables	4 151 393	327
Net cash flows from financing activities	**4 151 393**	**327**
Net increase / (decrease) in net cash and cash equivalents	(29 246 502)	(18 441 703)
Net cash and cash equivalents at beginning of period	21 482 955	39 924 658
Net cash and cash equivalents at end of period	**(7 763 547)**	**21 482 955**

THULAMELA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2009

(94 078 851)		Capital Development Reserve	Working Capital Reserve	Computer Replacement Fund	Vehicle Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
		R	R	R	R	R	R
2008							
Opening balance	**405**	**11 633 546**	**20 126 785**	**950 000**	**5 948 900**	82 405 684	**121 064 915**
Changes in accounting policy (note 30)		**(11 633 546)**	**(20 126 785)**	**(950 000)**	**(5 948 900)**	444 294 476	**405 635 245**
Correction of error (note 29)	102					(11 950 989)	**(11 950 989)**
							-
Restated balance		**-**	**-**	**-**	**-**	**514 749 171**	**514 749 171**
Net surplus for the year						32 643 606	32 643 606
Appropriation							-
Balance at 30 June 2008		**-**	**-**	**-**	**-**	**547 392 777**	**547 392 777**
2009							
Correction of error (note 32)		-	-	-	-		-
Changes in accounting estimate		-	-	-	-		-
Restated balance		**-**	**-**	**-**	**-**	**547 392 777**	**547 392 777**
Net surplus for the year		-	-	-	-	(107 753 797)	(107 753 797)
Appropriation	27					74 373 079	74 373 079
Other items		-	-	-	-		-
Other items	102	-	-	-	-	-	-
Net gains and losses not recognised in the statement of		-	-	-	-		
Transfers to / from accumulated surplus/(deficit)		-	-	-	-		-
Balance at 30 June 2009		**-**	**-**	**-**	**-**	**514 012 059**	**514 012 059**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (NOTE 1)

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006
GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION (Subject to Directive 4)

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS) (Subjected to Directive)

Subsequent to initial recognition, land and buildings are carried at a revalue amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets . Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		**Other**	
Roads and Paving	10	Buildings	30
Pedestrian Malls	10	Specialist vehicles	10
Electricity	20	Other vehicles	5
Water	20	Office equipment	7
Sewerage	20	Furniture and fittings	7
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	5
		Other items of plant and	
Recreational Facilities	30	equipment	7
Security	5	Landfill sites	5
Halls	30	Quarries	5
Libraries	30	Emergency equipment	5
Parks and gardens		Computer equipment	5
Other assets			
Finance lease assets			
Office equipment	5		
Other assets	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

5.2 SUBSEQUENT MEASUREMENT

N0 Biological assets exist.

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land)

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a)
The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected; - the
location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and -

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its continued employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contribute to wards employees and councillors pension funds Their member Share in the Fund at any time is equal to –

(a) the member transfer credit, with investment returns earned, plus
(b) the contributions for retirement benefits, with investment returns earned, plus
(c) any additional voluntary contributions, with investment returns earned.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [*the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work*] .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

			2009	2008
2.	**CONSUMER DEPOSITS**			
	Water	28	556 286	556 270
	Total consumer deposits		**556 286**	**556 270**
	No interest is paid on deposits.			
			8 993 555	1 574 346
3.	**PROVISIONS**			
	Performance Bonus			
	Balance at beginning of year		-	-
	Contribution to provision	399	458 470	-
	Expenditure incurred		-	-
	Total provisions		**458 470**	**-**
	Performance bonuses are paid one year in arrears. The assessment of eligible employees had not taken place at the reporting date. The provision is an estimate of the amount according to the performance agreements at the reporting date.			
4.	**TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**			
	Trade Creditors	82	396 986	993 706
	Sundry Creditors	83	15 333 025	11 975 885
	Accruals	84	17 263 676	10 993 006
	Retention Creditors	85	7 078 271	2 573 763
	Payments received in at advance	98	18 014 093	30 967 043
	Staff leave accrual	90	10 975 721	5 568 816
	Stale Cheques	87	584 842	559 265
	Unidentified deposits	80	754 072	78 107 626
	Total creditors		**70 400 685**	**141 739 111**
5	**UNSPENT CONDITIONAL GRANTS**			
	Unspend Grants - MIG	146	-	
	Unspend Grants - Umsobombvu/NYDA	387	43 365	-
	Unspent Grants- THETHA	388	346 600	-
	Unspent Grants- VDM O & M & salaries	117	341 554	533 788
	Unspent Grants- VDM Sports Grants	390	728 225	-
	Unspent Grants- Electricity	401	385 670	-
	Total Unspend Grants		**1 845 414**	**533 788**
6	**CONDITIONAL GRANTS FROM GOVERNMENT**			
	Finance management grant	1053	516 982	500 000
	Municipal systems improvement grant	1052	735 000	734 000
	Umsobomvu youth fund	1103	206 006	-
	Grant(VDM)	1089	35 469 488	24 417 962
	Sports Grant	1071	1 271 775	-
	Municipal infrastructure grant	1054	37 935 753	27 671 212
	Electricity grant	1087	17 214 330	33 500 000
	DPLG Valuation roll grant		-	500 000
	VDM ELECTRICITY		-	
	Grant interns Theta	1099	4 363 400	-
	Total conditional grants and receipts		**93 349 335**	**87 323 174**

See note 20 for reconciliation of grants.

7 INTANGIBLE ASSETS

Reconciliation of carrying value

	Total R	Total R
Carrying values at 1 July 2009	**-**	
Cost	2 060 006	2 060 006
Accumulated depreciation – cost	(2 060 006)	(2 060 006)
Acquisitions	159 400	
Carrying values at 30 June 2009	**159 400**	**-**
Cost	2 219 406	2 060 006
Accumulated depreciation – cost	(2 060 006)	(2 060 006)
Carrying values at 1 July 2008	**-**	**-**
Cost	2 060 006	2 060 006
Accumulated depreciation – cost	(2 060 006)	(2 060 006)
Carrying values at 30 June 2008	**-**	**-**
Cost	2 060 006	2 060 006
Accumulated depreciation – cost	(2 060 006)	(2 060 006)

8 NON CURRENT RECEIVABLES

Motor car loans	65	-	-
Housing selling scheme loans	67	-	196 393.96
Sale of erven loans	69	217 848	4 172 847
Sub-total		**217 848**	**4 369 241**
Less: Short-Term portion transferred to current assets	**71**	**209 169**	**1 706 813**
TOTAL		**8 680**	**2 662 428**

			2009 R	2008 R
9	**INVENTORY**			
	Inventory	72	47 810 443	63 698 753
			-	-
			-	-
	Total		**47 810 443**	**63 698 753**
	Opening balance of inventories:		**63 698 753**	**61 666 045**
	Consumable stores - at cost		3 108 325	1 674 412
	Unsold sites		60 590 428	59 991 633
	Additions:		**1 959 437**	**7 644 998**
	Consumable stores		1 959 437	7 644 998
	Unsold sites		-	-
	Issued/ (Sold):		**(3 967 572)**	**(6 211 085)**
	Consumable stores		(3 967 572)	(6 211 085)
	Sites sold		(13 880 174)	598 794
	Closing balance of inventories:		**47 810 444**	**63 698 753**
	Consumable stores		1 100 190	3 108 325
	Unsold sites		46 710 254	60 590 428
	Stock shortages and obsolete stock were written off during the year.			
	With the annual stocktaking on 30 June 2009 stock shortages to the value of R107 492.01 and stock surpluses to the value of R132 828.19 realised			

10. CONSUMER DEBTORS

	Gross Balance	Provision for Bad Debt	Net Balance
	R	R	R
30 June 2009			
Service debtors:	**294 641 032**	**251 182 898**	**43 458 134**
Property rates	25 901 241	22 084 940	3 816 302
General services	66 534 035	57 480 195	9 053 840
Water	69 377 074	61 309 394	8 067 680
Other	132 828 682	110 308 370	22 520 313
		-	
Total	**294 641 032**	**251 182 898**	**43 458 134**
Contribution to bad debt provision			251 182 898
30 June 2008			
Service debtors:	**266 335 321**	**87 671 161**	**178 664 160**
Service debtors	266 335 321	87 671 161	178 664 160
		-	
Total	**266 335 321**	**87 671 161**	**178 664 160**

	2009	2008
	R	R
10.1 Movement in the provision for doubtful debts		
Balance at beginning of the year	87 671 161	79 035 061
Provision for for doubtful debts	163 511 737	8 636 100
Balance at end of the year	251 182 898	87 671 161
10.2 AGEING OF CONSUMER DEBTORS		
Property Rates		
Current (0-30 days)	857 248	1 760 669
31–60 days	670 599	816 263
61–90 days	563 078	793 775
91–120 days	599 040	782 874
120days +	23 211 276	24 819 792
Sub-total	**25 901 241**	**28 973 373**
General Services		
Current (0-30 days)	1 988 065	3 858 823
31–60 days	1 505 690	1 818 890
61–90 days	1 409 253	1 848 533
91–120 days	1 422 706	1 797 191
120days +	60 208 322	52 042 833
Sub-total	**66 534 035**	**61 366 270**
Water		
Current (0-30 days)	1 520 471	4 341 541
31–60 days	1 728 323	2 026 195
61–90 days	1 061 662	2 131 980
91–120 days	1 209 356	1 686 551
120days +	63 857 262	82 337 058
Sub-total	**69 377 074**	**92 523 325**
Other		
Current (0-30 days)	12 031 347	4 346 344
31–60 days	2 253 040	2 095 248
61–90 days	2 173 744	2 012 298
91–120 days	1 817 733	1 979 781
120days +	114 552 817	73 038 682
Sub-total	**132 828 682**	**83 472 353**
Total consumer debtors	**294 641 032**	**266 335 321**
Made up as follows:		
Current (0-30 days)	16 397 132	14 307 377
31–60 days	6 157 652	6 756 596
61–90 days	5 207 737	6 786 586
91–120 days	5 048 835	6 246 397
120days +	261 829 677	232 238 364
	-	-
Total	**294 641 032**	**266 335 321**

			2009 R	2008 R
11.	**OTHER RECEIVABLES**			
	Service debtors	73	294 641 032	266 335 333
	Provision for bad debt	74	(251 182 898)	(87 671 161)
	Total Service Debtors		**43 458 134**	**178 664 172**
	Advance payment	75	(225 936)	191 721
	Vat	76	20 976 101	11 294 843
	RD cheques	78	1 280 468	576 843
	Other Debotors	152	3 491 243	800 508
	Total Other Debtors		**25 521 876**	**12 863 915**
12.	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents consist of the following:			
	Cash at bank		(8 214 547)	3 736 481
	Call deposits		451 000	17 746 474
			(7 763 547)	21 482 955
	The Municipality has the following bank accounts: -			
	Current Account (Primary Bank Account)			
	FNB Bank Limited - Thohoyandou Branch - 54660078973			
	Cash book balance at beginning of year		2 055 425	671 075
	Cash book balance at end of year		(8 809 413)	2 055 425
	Bank statement balance at beginning of year		2 738 641	692 193
	Bank statement balance at end of year		(8 854 169)	2 738 641
	Current Account (PHP Account)			
	FNB Bank Limited - Thohoyandou Branch - 62116107401			
	Cash book balance at beginning of year		1 681 056	2 547 705
	Cash book balance at end of year		594 866	1 681 056
	Bank statement balance at beginning of year		1 736 901	2 547 705
	Bank statement balance at end of year		628 866	1 736 901
	Call Account			
	FNB Bank Limited - Thohoyandou Branch - 62090588016 FNB Bank Limited - Thohoyandou Branch - 62090588793			
	Cash book balance at beginning of year		17 746 474	36 705 962
	Cash book balance at end of year		451 000	17 746 474
	Bank statement balance at beginning of year		17 746 474	36 705 962
	Bank statement balance at end of year		451 000	17 746 474

13 *PROPERTY RATES*

REVENUE

		2009 R	2008 R
Residential	1003	139 777	-
Property rates	1002	8 280 703	6 450 040
		8 420 480	**6 450 040**

14 SERVICE CHARGES

Sale of water	i-wat	16 488 407	12 206 037
General Services	i-serv	20 885 184	20 785 928
Refuse removal	i-refuse	751 567	866 315
Sewerage and sanitation charges	i-sewer	31 321	20 543
Total service charges		**38 156 479**	**33 878 822**

15 GOVERNMENT SUBSIDIES & GRANTS

Operating Grants		**161 866 619**	**133 622 661**
Equitable share	1018	120 575 742	107 470 699
Umsobomvu youth fund	1103	206 006	-
DPLG Valuation roll grant	1116	-	500 000
Finance management grant (FMG)	1053	516 982	500 000
Local government capacity building grant	1052	735 000	734 000
Grant(VDM)	1089	35 469 488	24 417 962
Grant interns Theta	1099	4 363 400	-
Other			
Capital Grants		**56 421 858**	**61 171 212**
Neibourhood Developmend grant	1093	-	-
Sports Grant	1071	1 271 775	-
Municipal infrastructural grant (MIG)	1054	37 935 753	27 671 212
Electricity grant	1087	17 214 330	33 500 000
Total Government Grants & Subsidies		**218 288 477**	**194 793 873**

Equitable Share

This grant is an unconditionally grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a rebate of R840

Usobombvu Youth Fund

Current year receipts	249 371	-
Conditions met – transferred to revenue	(206 006)	-
Unspent amount transferred to liabilities	**43 365**	**-**

(*see note 8*)

This grant was for the empowerment of youth through job creation and training. Other than the unspent amount the conditions of this grant have been met

Finance Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	500 000	500 000
Conditions met – transferred to revenue	(516 982)	(500 000)
Unspent amount transferred to liabilities	**(16 982)**	**-**

(*see note 8*)

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld

THETHA GRANT

Balance unspent at beginning of year	-	-
Current year receipts	4 710 000	-
Conditions met – transferred to revenue	(4 363 400)	-
Unspent amount transferred to liabilities	**346 600**	**-**

(*see note 8*)

This grant was used to empower graduates on the intenship pragramme and training of interns. Other than the unspent amount, the conditions of the grant were met

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	735 000	734 000
Conditions met – transferred to revenue	(735 000)	(734 000)
Unspent amount transferred to liabilities	**-**	**-**

(*see note 8*)

This grant was used to build in-house capacity to perform their functions and stabilize institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been

Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	(800 508)	(3 863 179)
Current year receipts	35 262 000	27 137 934
Conditions met – transferred to revenue	(37 935 753)	(24 075 262)
Unspent amount transferred to liabilities	**(3 474 261)**	**(800 508)**
(*see note 8*)		
This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been		
Integrated National Electrification Grant (INEP)		
Balance unspent at beginning of year	-	-
Current year receipts	4 600 000	18 500 000
Conditions met – transferred to revenue	(4 600 000)	(18 500 000)
Unspent amount transferred to liabilities	**-**	**-**
(*see note 8*)		
This grant was used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the		
VDM :Electricity Grant		
Balance unspent at beginning of year	-	-
Current year receipts	13 000 000	10 446 630
Conditions met – transferred to revenue	(12 614 330)	(10 446 630)
Unspent amount transferred to liabilities	**385 670**	**-**
(*see note 8*)		
This grant was used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the		
VDM :R & M Grant		
Balance unspent at beginning of year	-	-
Current year receipts	4 729 500	5 199 950
Conditions met – transferred to revenue	(4 030 817)	(5 199 950)
Unspent amount transferred to liabilities	**698 683**	**-**
(*see note 8*)		
This grant was used to address the electrification backlog of permanently occupied residential dwellings. Other than the unspent amount,the conditions of the grant were met.		
VDM : Salary Grant		
Balance unspent at beginning of year	533 788	-
Current year receipts	29 797 754	19 215 292
Conditions met – transferred to revenue	(31 438 671)	(18 681 504)
Unspent amount transferred to liabilities	**(1 107 129)**	**533 788**
(*see note 8*)		
This grant was used for the salaries of people transferred from Department of Water Affairs to the Municipality. The conditions of the grant		
Balance unspent at beginning of year	-	-
Current year receipts	750 000	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	**750 000**	**-**
VDM : Sport Grant		
Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	-
Conditions met – transferred to revenue	(1 271 775)	-
Unspent amount transferred to liabilities	**728 225**	**-**
(*see note 8*)		
This grant was used for the upgrading of stadium. Other than the unspent amount the conditions of the grant were met		

16	**INVESTMENT REVENUE**			
	EXTERNAL INVESTMENTS		**2 508 360**	**4 655 320**
	Current account			
	Interest	**1138**	2 508 360	4 655 320
	External investments	1026	-	-
17	**INTEREST OUTSTANDING DEBTORS**		**16 490 050**	**12 172 347**
	Sundry debtors			
	Services:		16 490 050	12 172 347
	Services	1028	16 490 050	12 172 347
	Total interest earned		**18 998 409**	**16 827 667**
18	**OTHER REVENUE**			
	Building plan fees	i-plan	199 942	272 747
	Connection fees	i-conn	694 370	450 714
	Refund skills development	i-skills	567 754	222 469
	Sundry income	i-oth	3 578 038	2 259 677
	Sale of erven	i-erven	13 880 174	(598 794)
	Total		**18 920 278**	**2 606 812**
19	**EMPLOYEE RELATED COSTS**			
	Salaries and wages		92 031 441	72 858 991
	Salaries	0001	74 388 355	59 357 465
	Overtime	0002	1 468 554	1 793 707
	Leave bonus	0004	6 335 524	2 902 951
	Standby	0016	-	709
	Uniforms	0018	11 801	62 850
	Industrial Council Levies	0020	24 387	19 997
	Travelling allowances	0022	5 649 465	7 872 203
	Council Contr/WCA	0024	1 055 076	-
	Skill Develpoment Levy	0026	-	468 228
	Casual labour	0028	2 364 214	380 881
	Capital Remuneration	0025	270 322	-
	Maintenance Allowance	0023	171 265	-
	Acting Allowance	0009	291 172	-
	Substance and Travel	0264	-	
	Night Shift	0030	1 306	-
	Social contributions:		16 530 107	10 686 246
	Pension deductions	0008	12 455 542	9 255 845
	Medical aid funds	0006	1 047 073	694 198
	Group insurance			
	Housing subsidy	0012	2 393 213	348 610
	Unemployment Insurance Fund	0014	634 279	387 592
	Workmen's compensation			
	Less: employee cost capitalized			
	Less: employee cost to operating			
	Total employee related cost		**108 561 548**	**83 545 238**
	Remuneration of Managers			
	Municipal Manager		**679 418**	**625 452**
	Annual remuneration		427 232	370 739
	Allowances		153 092	136 443
	Council Contributions(UIF, medical and pension funds)		96 127	85 396
	Bonus		2 967	32 874
	Chief Financial Officer		**624 813**	**552 219**
	Annual remuneration		384 500	333 271
	Allowances		137 566	112 937
	Council Contributions(UIF, medical and pension funds)		86 726	76 425
	Bonus		16 021	29 586
	Senior Manager: Technical services		**632 824**	**569 293**
	Annual remuneration		384 500	337 271
	Allowances		137 566	121 637
	Council Contributions		86 726	76 425
	Bonus		24 031	33 960
	Senior Manager: Corporate services		254 991	283 943
	Annual remuneration		160 209	171 840
	Allowances		57 318	58 207
	Council Contributions(UIF, medical and pension funds)		35 887	36 576
	Bonus		1 578	17 320
	Senior Manager: Community services		-	563 759
	Annual remuneration		-	337 271
	Allowances		-	150 063
	Council Contributions(UIF, medical and pension funds)		-	76 425
	Bonus		-	
	Senior Manager: Planning & Development		640 834	294 655
	Annual remuneration		384 500	197 431
	Allowances		137 566	80 086
	Council Contributions(UIF, medical and pension funds)		86 726	17 138
	Bonus		32 042	
	Total		**2 832 880**	**2 889 321**

Disclosure in terms of the MFMA, 2003,

Section 124(1)(c).

			2009	2 008
			R	R
20	**REMUNERATION OF COUNCILLORS**			
	Executive Mayor		351 071	316 437
	Speaker		280 996	253 150
	Chief Whip		263 434	237 328
	Councillors		8 205 188	6 437 045
	Pension fund	0008	1 252 318	1 233 672
	Medical aid	0006	17 154	8 058
	Housing subsidy	0012	-	-
	Travelling allowances	0022	3 473 126	3 263 688
	Cellphone allowances		758 789	734 790
	Total councillor's remuneration		**14 602 077**	**12 484 168**

The Mayor, Speaker, and the Chief Whip are full time. Each is provided with an office

The Mayor has use of a Council owned vehicle and driver for official duties

Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

21	**FINANCE COST**			
	Bank overdrafts		-	-
	Total		**-**	**-**
22	**BULK PURCHASES**			
	Water	e-bulk	5 460 191	-
	Total		**5 460 191**	**-**
23	**GRANT AND SUBSIDIES PAID**			
				-
	Total		**-**	**-**

No grants were paid for the 2008/09 financial year.

Disclosure in terms of the MFMA, 2003, Section 123(l)(b)

		2009	2008
24	**ADMINISTRATIVE EXPENSES**		
	Included in administrative expenses are the following:		
	Advertising	232 769	257 312
	Arts And Culture	6 600	-
	Audit Fees External	2 565 870	750 590
	Bank Charges	590 849	476 298
	Books And Publications	6 709	174 466
	Cellular Phone Expenses	516 320	430 663
	Cleaning Material	745 001	414 836
	Conference Expenditure	547 126	1 583 273
	Cost of Sites Sold	13 880 174	(598 794)
	Dermacation of Sites	1 097 856	524 400
	Disaster Relief	154 445	130 935
	Electricity - Department	2 489 566	1 438 969
	Entertainment	61 146	147 168
	Environmental Campaign	38 395	152 713
	Establishment WMC	950	-
	Feasibility Study And Des	227 492	-
	Fuel and Oil	5 511 008	4 014 284
	Indigent Subsidy	3 724 152	2 946 796
	Insurance Excess	27 430	45 621
	Insurance General	520 967	1 367 200
	Landfill	1 627 570	1 318 350
	Legal Costs	4 798 355	3 621 248
	Licence and Registration	-	-
	Licence Application	713 326	832 526
	Licences and Registration	212 814	1 289 590
	Local Economic Development	43 165	213 184
	Mapungubwe and Sports Eve	106 615	79 225
	Membership Fee	542 600	3 967
	People's Housing Project	2 907 774	919 986
	Project Management Unit	47 324	105 936
	Postage and Stamps	17 597	216 814
	Printing and Stationary	1 487 840	784 401
	Professional Fees	1 057 041	2 542 033
	Project Expenditure: Electricity	30 287 832	12 996 933
	Publicity	143 817	473 830
	Refreshment	24 262	19 701
	Service Discount	2 020 126	12 080 959
	Rental of Equipment	1 901 615	1 712 423
	Stipend (Training Theta)	4 379 836	-
	Subsistence and Travel	2 423 445	2 598 716
	Survey Cost	9 807	-
	Telephone Expenses	1 778 922	1 017 665
	Towing	3 200	-
	Traffic Uniform	112 094	44 740
	Training	474 135	554 893
	Valuation Cost	818 282	390 573
	Water Connection Material	4 347	4 218 309
	Welfare Development Plan	19 400	-
	Women Development Plan	24 498	19 400
	Youth Advisory Centre Pro	50 173	22 004
	Youth Development Plan	16 145	-
	Youth, Hiv, Women and Disable	105 090	191 668
		91 103 871	**62 525 803**

		2009 R	2008 R
25	**Notes to the cash flow statement**		
25.1	Cash & cash equivalent		
	Cash and cash equivalents cosist of cash on hand and balances with banks and investments in money market instrument. Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position		
	Cash on hand and balances with banks	(7 763 547)	21 482 955
	Short- term investments	-	-
		(7 763 547)	**21 482 955**
25.2	**Property, plant & equipment**		
	During the period, the economic entity acquired property, plant and equipment with an aggregate cost of R84 770 849, of which R39 207 529was acquired by means of capital grants by the national government. Cash payments of R84 770 849 were made to		
25.3	Reconciliation of net cash flows from operating activities to surplus/(deficit) (in thousand of rands)		
	Surplus/(Deficit)	(107 753 797)	32 643 606
	Non cash movements		
	Depreciation	16 039 892	14 466 831
	Amortisation	-	-
	Increase in provision for doutful debts	163 511 737	8 636 100
	Increase in payables	(1 060 626)	10 007 464
	Increase in borrowings		
	Increase in provision relating to employee	5 865 374	19 479
	Write off of property, plant, equipment	5 109	16 031 273
	Increase in other currents	3 230 349	8 107 284
	Increase in receivables	(28 305 683)	(14 356 664)
	Net cashflows from operating activities	**51 532 356**	**75 555 372**

			2009 R	2008 R
26	**ADDITIONAL DISCLOSURES IN TERMS OFSECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003**			
	Contribution to SALGA			
	Council membership fees payable		540 820	-
	Amount paid current year		-	-
	Balance unpaid (included in creditors)		**540 820**	**-**
	Audit Fees			
	Current year audit fee			
	Amount paid current year	0202	2 565 870	747 869
	Balance unpaid (included in creditors)		**2 565 870**	**747 869**
	VAT			
	Output Tax			
	Opening balance			
	Closing balance	16	20 976 101	11 294 843
	Input Tax			
	Amount payable to SARS			
	Amount paid current year	8		
	Balance outstanding (to)/from SARS		**20 976 101**	**11 294 843**
	VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. VAT input receivables and VAT output payable are shown in notes 16 and 8 respectively. All VAT returns have been			

27. (continue)

Disclosure concerning councilors

Section 124(1)(b)
For the year under review, no councillor was owing the municipality for rates and taxes for more than 90 days

Total

Section 64(3)
Outstanding consumer accounts
Government institutions

	Arrear	Current	Outstanding 30 June 2008	Arrear	Current	Outstanding 30 June 2009
Other government institutions						
Department of Health	213 008	158 851	371 859	139 264	83 226	222 491
Department of Education & Schools	596 753	444 809	1 041 561	1 340 659	29 840	1 370 498
Department of Agriculture	-	227 094	227 094	271 848	2 507	274 355
Department of Water Affairs	-	77 943	77 943	92 599	686	93 285
Department of Public Works	181 993	538 812	720 806	400 950	72 661	473 612
Total	**991 754**	**1 447 510**	**2 439 264**	**2 245 320**	**188 920**	**2 434 241**

In terms of the section, National Treasury was informed of the arrear accounts of schools for periods of more than 30 days

28. CERTIFICATION AND APPROVAL BY THE ACCOUNTING OFFICEF

CERTIFICATION AND APPROVAL
BY THE ACCOUNTING OFFICER

I, the undersigned, are responsible for the preparation of these annual financial statements which are set out on pages , in and,
Certify that the remuneration of councillors (as disclosed in note 24) is in accordance with the Public Office Bearers Act, Act

MUNICIPAL MANAGER **DATE**

		2009 R	2008 R
29.	**INVESTMENT PROPERTY**		
	Property at cost	-	
	Additions	-	
	Transferred to PPE	-	
	Total	**-**	**-**

30 Change in accounting policy with retrospective application

30.1 During 2009, the entity changed its accounting framework from IMFO to GRAP.

Therefore the following changes occured in the statement of net assets:

Category	Amount previously reported	Change in accounting policy	Restated opeing balance
Capital development fund	11 633 546	(11 633 546)	-
Working Capital Reserves	20 126 785	(20 126 785)	-
Computer Replacement Fund	950 000	(950 000)	-
Vehicle Replacement Fund	5 948 900	(5 948 900)	-
Revaluation Reserve	-	-	-
Other reserves	-	-	-
Accumulated Surplus/ (Deficit)	38 659 231	(38 659 231)	-

Therefore opeing accumulated surplus was adjusted with a credit of R 38,659,231. Capital development fund were debited with R11,633,546, Working capital reserve were debited with R20,126,785, Computer Replacement Fund were debited with R950,000, and the Vehicle Replacement Fund were debited with R5,948,900.

30.2 The following change occurred due to the adoption of GRAP 12. Previously land was not recognised as an asset.

The comparative amount has been restated as follows:

	2009	2008
Inventory - unsold sites	-	59 991 633.48
Net effect on Accumulated surplus opening balance	**-**	**59 991 633.48**

30.3 The following change occurred due to the adoption of GRAP 17. Previously property, plant and equipment was not recognised as an asset and depreciation was not recognised.

The comparative amount has been restated as follows:

	2009	2008
Property, plant and equipment	-	404 124 674.67
Back log depreciation	14 466 831	(58 481 063.24)
Net effect on Accumulated surplus opening balance	**14 466 831.00**	**345 643 611.43**

30.4 The following change occurred due to the adoption of GRAP 102. Previously Intangibles assets was not recognised as an asset and depreciation was not recognised.

The comparative amount has been restated as follows:

	2009	2008
Intangible assets	-	2 060 006
Back log depreciation	-	(2 060 006)
Net effect on Accumulated surplus opening balance	**-**	**-**
Total net effect on accumulated surplus opening ba	14 466 831	444 294 475.91

31. PROPERTY, PLANT & EQUIPMENT

	Land	Buildings	Infrastructure	Community	Furniture	IT Equipment	Office Equipment	Machinery and Equipment	Motor vehicles	Total
Carrying values at 1 July 2009	**206 892 420**	**27 430 485**	**104 634 725**	**50 191 617**	**1 129 651**	**1 342 114**	**120 000**	**144 245**	**17 257 654**	**409 142 910**
Cost	206 892 420	29 139 386	127 984 113	53 127 521	1 976 824	3 245 072	547 138	1 024 806	45 561 259	469 498 540
Accumulated depreciation – cost	-	1 708 901	23 349 389	2 935 904	847 173	1 902 958	427 138	880 561	28 303 605	60 355 629
Acquisitions	-	35 459	57 827 239	6 737 762	24 479	452 642	97 000	26 121	2 686 437	67 887 140
Capital under construction	-		12 705 418	4 178 291	-	-	-	-	-	16 883 709
Depreciation – based on cost	-	966 460	9 625 201	1 998 812	194 801	459 256	34 286	61 651	2 699 425	16 039 892
Carrying value of disposals	-	-	-	-	5 018	90	-	-	-	5 108
Cost	-	-	-	-	19 957	600	-	21 900	-	42 457
Accumulated depreciation	-	-	-	-	14 939	510	-	21 900	-	37 349
Carrying values at 30 June 2009	**206 892 420**	**26 499 485**	**165 542 181**	**59 108 857**	**954 311**	**1 335 410**	**182 714**	**108 715**	**17 244 666**	**477 868 759**
Cost	206 892 420	29 174 846	198 516 771	64 043 574	1 981 346	3 697 114	644 138	1 029 027	48 247 696	554 226 932
Accumulated depreciation – cost	-	2 675 361	32 974 590	4 934 717	1 027 035	2 361 704	461 424	920 312	31 003 030	76 358 173
Reconciliation of Carrying Value										
Carrying values at 1 July 2007	**206 892 420**	**7 085 512**	**84 568 504**	**16 812 039**	**1 540 946**	**1 482 932**	**96 491**	**95 114**	**27 069 654**	**345 643 611**
Cost	206 892 420	7 956 525	103 391 743	18 868 865	2 729 611	3 032 996	521 183	947 398	59 783 934	404 124 675
Accumulated depreciation – cost	-	871 014	18 823 239	2 056 825	1 188 665	1 550 064	424 692	852 284	32 714 280	58 481 063
Acquisitions	-	21 182 861	34 970 840	30 090 965	57 181	234 539	61 932	117 842	446 501	87 162 661
Capital under construction	-	-	2 667 050	4 167 692	-	-	-	-	-	6 834 742
Depreciation – based on cost	-	837 888	7 678 060	879 079	266 868	375 357	38 423	65 688	4 325 468	14 466 831
Carrying value of disposals	-	-	9 893 609	-	201 608	-	-	3 023	5 933 033	16 031 273
Cost	-	-	13 045 520	-	809 968	22 463	35 977	40 434	14 669 176	28 623 538
Accumulated depreciation	-	-	3 151 911	-	608 360	22 463	35 977	37 411	8 736 143	12 592 265
Other movements										
Carrying values at 30 June 2008	**206 892 420**	**27 430 485**	**104 634 725**	**50 191 617**	**1 129 651**	**1 342 114**	**120 000**	**144 245**	**17 257 654**	**409 142 910**
Cost	206 892 420	29 139 386	127 984 113	53 127 521	1 976 824	3 245 072	547 138	1 024 806	45 561 259	469 498 540
Accumulated depreciation – cost	-	1 708 901	23 349 389	2 935 904	847 173	1 902 958	427 138	880 561	28 303 605	60 355 629

32. CONTINGENT LIABILITIES

32.1	Land claims	1 884 000.00	1 884 000.00
	The municipality is being sued by Headman Mmbi and shark dwellers for the distribution of shacks at Block M (Maniini), as a result of court order granted on the 27th February 2007. Council is contesting the claim based on legal advice. A court date has not yet been set. Should the council be unsucessful in defending the claim, the claim will be settled. The contingent liabilty include legal		
32.1	Interns (Thetha)	1 274 000.00	-
	The municipality is being sued by hundred sixty three(63) interns who claim unfair dismissal by the Municipality. Council is contesting the claim based on legal advice. A court date has not yet been set. Should the council be unsucessful in defending the claim, the claim will be settled. The contingent liabilty include legal		

33. CONTINGENT ASSETS

contingent asset		242 000.00
Total		**242 000.00**

Subsequent to the court order of 23 October 2008, the council was awarded costs order which is to be faxed at the Master High court Thohoyandou. An amount of R242 000.00 be recovered from Sumbana, Mphaphuli Traditional Council and Musiiwa Mphephu

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Unauthorised expenditure

Opening balance	-	**-**
unauthorised expenditure current year	27 005 226	**-**
Approved by council	(27 005 226)	**-**
Transferred to receivables for recovery	-	**-**
	-	**-**

34.2 Fruitless and wasteful expenditure

Opening balance		
Current year fruitless & wastefull expenditure	**743 351**	370 528.13
Condoned or written off by council	**-**	-
Transferred to receivable for recovery	**-**	-
Fruitless and wasteful awaiting condonement	**-**	-
	743 351	**370 528.13**

During the 2008/2009 financial year we identified theft of petrol amounting to R743 350.83. The amount of R743 350 include R370 528.13 from previous period. A case has been opened with SAPS, case number 700/11/2009. We have applied for his pension to be paid over to Municipality as he has subsequently resigned.

35 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	304 263	364 270
Rental of equipment		
Other rentals		
Total rentals	**304 263**	**364 270**

36 CONTRACTED SERVICES

Contracted Services for:		
Security services	2 548 655	1 747 412
	2 548 655	**1 747 412**

37 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	16 039 891	14 466 831
Intangible assets	-	-
	16 039 891	**14 466 831**

38 CORRECTION OF ERROR

38.1 During the year ended 30 June 2008, water purchases were not accrued for thus bulk water purchases and accruals were understated.

The comparative amount has been restated as follows:

Bulk purchases - water		10 863 758
Net effect on surplus/(deficit) for the year	-	10 863 758
Liabilities		10 863 758
Net effect on Statement of Financial Position	-	10 863 758
Net effect on Accumulated surplus opening balance		-

38.2

During the year ended 30 June 2009, the council resolved through resolution 10/01/2009 that a debt and liabilities raised on Vhembe District Municipality for water expenditure be written off

The comparative amount has been restated as follows:

Assets		(20 760 295)
Liabilities		750 817
Net effect on Statement of Financial Position	-	(20 009 478)
Net effect on Accumulated surplus opening balance		(20 009 478)

38.3

During the year ended 30 June 2009, it was discovered that consumer debtors were overstated and through a council resolution 10/01/2009 it was resolved that it be matched to the list of consumer debtors.

The comparative amount has been restated as follows:

Assets		(2 916 053)
Net effect on Statement of Financial Position	-	(2 916 053)
Net effect on Accumulated surplus opening balance		(2 916 053)

38.4

During the year ended 30 June 2009, it was discovered that receipts from SARS in prior periods were recognised as income thus the VAT receivable was overstated.

The comparative amount has been restated as follows:

Assets		11 798 012
Net effect on Statement of Financial Position	-	11 798 012
Net effect on Accumulated surplus opening balance		11 798 012

38.5

During the year ended 30 June 2009, it was discovered that consumer deposits were understated and through a council resolution 10/01/2009 it was resolved that it be matched to the list of consumer deposits.

The comparative amount has been restated as follows:

Liabilities		(341 895)
Net effect on Statement of Financial Position	-	(341 895)
Net effect on Accumulated surplus opening balance		(341 895)

38.6

During the year ended 30 June 2009, it was discovered that leave provision was understated.

The comparative amount has been restated as follows:

Liabilities		(481 575)
Net effect on Statement of Financial Position	-	(481 575)
Net effect on Accumulated surplus opening balance		(481 575)
Total net effect on accumulated surplus opening balance	**-**	**(11 950 989)**

39 COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted	**97 081 705**	**33 570 400**
The expenditure will be financed from:		
- DME- Electricity Infrastructure	17 876 995	5 531 027
-Retention money	7 078 271	2 573 763
- Own revenue	14 125 654	25 465 610
- MIG - infrastructure	58 000 785	-
	97 081 705	**33 570 400**

40 RISK MANAGEMENT

40.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is

Financial assets exposed to credit risk at year end were as follows	**2009**	**2008**
FNB - Current Account	-	3 736 481
FNB - Call Accounts	451 000	17 746 474
Long term debtors	4 369 241	217 848
Trade and other receivables	68 980 010	191 528 087
	73 800 251	213 228 890

These balances represent the maximum exposure to credit risk.

40.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.
The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2009	Not later than one month	Later than one month and not later than three months
Borrowings	8 809 413	-
Trade and other payables	63 817 437	1 454 260.76
Other	2 055 100	346 600

2009	Later than three months and not later than one year	Later than one year and not later than five years
Gross finance lease obligations		
Borrowings	-	-
Trade and other payables	4 728 042	401 416
Other	-	-

40.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits		
- Inca Loan	451 000	17 746 474

40.4 Other price risk

The major risk in the market is the Municipalities exposure to the Vhembe District Municipality proposed water tarriff hikes.

APPENDIX A
SHEDULE OF EXTERNAL LOANS
as at 30 June 2009

External Loans	Loan No.	Redeemable	Balance at 30 June 2008	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2009
			R	R	R	R	R
ANNUITY LOANS							
Total Annuity Loans			-	-	-	-	-
Total External Loans			-	-	-	-	-

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2009

	HISTORICAL COST					ACCUMULATED DEPRECIATION					
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	Carrying Value	Budget Additions 2009
	R	R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE	**131 177 562**	**57 733 939**	**12 773 915**	**-**	**201 685 416**	**23 352 642**	**9 775 842**	**-**	**33 128 484**	**168 556 932**	**-**
Roads, pavements, bridges & stormwater	119 417 783	57 733 939	5 369 338		182 521 060	20 900 090	9 428 957		30 329 047	152 192 013	
Water reservoirs & reticulation	921 643				921 643	169 360	38 223		207 583	714 060	
Car parks, bus terminals & taxi ranks	3 075 567	-			3 075 567	3 255	150 554		153 809	2 921 758	
Electricity reticulation	3 573 808				3 573 808	253 956	47 008		300 965	3 272 843	
Other (town planning & development	4 188 761		7 404 577		11 593 338	2 025 981	111 100		2 137 081	9 456 257	
COMMUNITY ASSETS	**49 934 073**	**6 757 976**	**4 109 795**	**-**	**60 801 844**	**2 932 650**	**1 848 259**	**-**	**4 780 909**	**56 020 935**	**-**
Sports fields	36 825 488	6 535 824	4 109 795		47 471 107	2 500 864	1 601 972		4 102 836	43 368 271	
Other (fire services & cemeteries)	13 108 585	222 152			13 330 737	431 786	246 287		678 073	12 652 664	
OTHER ASSETS	**288 386 904**	**3 395 225**	**-**	**42 457**	**291 739 672**	**34 070 337**	**4 415 791**	**37 349**	**38 448 779**	**253 290 893**	**-**
Other motor vehicles	45 561 259	2 686 437			48 247 696	28 303 604	2 699 425		31 003 029	17 244 667	
Plant & equipment	1 024 805	26 121		21 900	1 029 026	880 561	61 651	21 900	920 312	108 714	
Office equipment	511 687	170 087			681 774	408 474	31 397		439 871	241 903	
Other land & buildings	236 031 806	35 459			236 067 265	1 708 902	966 460		2 675 362	233 391 903	
Other (including IT)	5 257 346	477 121		20 557	5 713 910	2 768 796	656 858	15 449	3 410 205	2 303 705	
TOTAL	**469 498 539**	**67 887 140**	**16 883 710**	**42 457**	**554 226 932**	**60 355 629**	**16 039 892**	**37 349**	**76 358 172**	**477 868 760**	**-**

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2009

						HISTORICAL COST					ACCUMULATED DEPRECIATION					
						Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	Carrying Value	Budget Additions 2006
						R	R		R	R	R	R	R	R	R	R
EXECUTIVE COUNCIL						**(520 037)**	**23 744**	**-**	**-**	**(496 294)**	**(348 939)**	**(10 050.74)**	**-**	**(358 990)**	**(137 304)**	**-**
Executive Council	281	282	283	285	286	(520 037)	23744		0	(496 294)	(348 939)	(10 050.74)	0	(358 990)	(137 304)	-
FINANCE & ADMINISTRATION						**9 192 838**	**295 030**	**-**	**20 557**	**9 467 311**	**6 535 526**	**645 459.17**	**15 449**	**7 165 537**	**2 301 774**	**454 430**
Finance	301		302	305	306	367 694	30829	0	0	398 523	256 139	19 703.86	0	275 842	122 681	30 829
Corporate	251	253	254	255	256	8 825 144	264201		20557	9 068 788	6 279 388	625 755.31	15449	6 889 695	2 179 093	423 601
PLANNING & DEVELOPMENT						**7 476 279**	**4 105 745**	**7 404 577**	**-**	**18 986 600**	**1 293 282**	**425 810.66**	**-**	**1 719 093**	**17 267 508**	**4 105 745**
Planning & development	371	372	373	375	376	7 476 279	4105745	7404577	0	18 986 600	1 293 282	425 810.66	0	1 719 093	17 267 508	4 105 745
ROAD TRANSPORT						**149 550 828**	**53 811 344**	**5 369 338**	**-**	**208 731 510**	**36 889 114**	**11 076 575.38**	**-**	**47 965 690**	**160 765 821**	**53 808 149**
Roads & stormwater	221	222	223	225	226	149 550 828	53811344	5369338	0	208 731 510	36 889 114	11 076 575.38	0	47 965 690	160 765 821	53 808 149
PUBLIC SAFETY						**5 493 994**	**6 408**	**-**	**-**	**5 500 403**	**1 229 704**	**423 868.55**	**-**	**1 653 573**	**3 846 830**	**6 408**
Traffic	271	272	273	275	276	5 493 994	6408	0	0	5 500 403	1 229 704	423 868.55	0	1 653 573	3 846 830	6 408
SPORT & RECREATION						**41 634 552**	**6 764 546**	**4 109 795**	**21 900**	**52 486 993**	**4 290 044**	**1 847 024.13**	**21 900**	**6 115 168**	**46 371 825**	**6 764 546**
Sport & recreation	331	332	333	335	336	41 634 552	6764546	4109795	21900	52 486 993	4 290 044	1 847 024.13	21900	6 115 168	46 371 825	6 764 546
Environmental						**19 927 357**	**2 747 862**	**-**	**-**	**22 675 219**	**6 327 523**	**699 971.44**	**-**	**7 027 494**	**15 647 725**	**2 747 862**
Waste	341	342	343	345	346	19 927 357	2747862	0	0	22 675 219	6 327 523	699 971.44	0	7 027 494	15 647 725	-
Environmental	351	352	353	355	356		0	0	0	-		-	0	-	-	2 747 862
Building						**238 247 000**	**132 459**	**-**	**-**	**238 379 460**	**4 157 993**	**991 915.52**	**-**	**5 149 908**	**233 229 551**	**-**
Land & Building	311	312	313	315	316	238 247 000	97000	0	0	238 344 000	4 157 993	991 915.52	0	5 149 908	233 194 092	-
Building Control	321	326	322	324	325		35459	0	0	35 459	-	-	0	-	35 459	
WATER						**(1 504 273)**	**-**	**-**	**-**	**(1 504 273)**	**(18 619)**	**(60 683.49)**	**-**	**(79 302)**	**(1 424 970)**	**-**
Water services	381	382	383	385	386	(1 504 273)	0		0	(1 504 273)	(18 619)	(60 683.49)	0	(79 302)	(1 424 970)	-
TOTAL						**469 498 539**	**67 887 138**	**16 883 710**	**42 457**	**554 226 929** #	**60 355 628**	**16 039 890.62**	**37 349**	**76 358 170**	**477 868 759** #	**67 887 140**

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)			2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)
R	R	R			R	R	R
177678197	**69575134**	**108103063**	**Executive & Council**		**137 790 072**	**225713464**	(87 923 393)
0	**2600457**	**(2 600 457)**	Municipal Manager	**002**	-	2 971 251	**(2 971 251)**
177678197	66974677	**110 703 520**	Political services	009	137 790 072	222 742 213	**(84 952 142)**
47917218	**25755496**	**22 161 722**	**Finance & Admin**		**75 400 966**	**43288992**	**32 111 974**
47488645	22125549	**25 363 096**	Finance	035	52 468 399	16 197 686	**36 270 713**
428573	3629947	**(3 201 374)**	Corporate Services	003	22 932 567	27 091 306	**(4 158 738)**
		-					
0	**7478312**	**(7 478 312)**	**Planning & Development**		**(96 550)**	**6886453**	**(6 983 003)**
0	7478312	**(7 478 312)**	Planning & Development	057	(96 550)	6 886 453	**(6 983 003)**
862849	**14672839**	**(13 809 990)**	**Health**		**948 429**	**13002785**	**(12 054 357)**
			Clinics				-
862849	14672839	**(13 809 990)**	Health Other	041	948 429	13 002 785	**(12 054 357)**
349532	**17653538**	**(17 304 006)**	**Community Services**		**1 538 922**	**7761899**	**(6 222 977)**
			Libraries				
349532	17653538	**(17 304 006)**	Horticulture Sport & Recreation	053	1 538 922	7 761 899	**(6 222 977)**
			Cemeteries				
10386	**11432198**	**(11 421 812)**	**Housing**		**5 582**	**13205021**	**(13 199 439)**
10386	11 432 198.00	**(11 421 812)**	Building Control	055	5 582	13 205 021	**(13 199 439)**
2392691	**23185312**	**(20 792 621)**	**Public Safety**		**9 008 322**	**26801645**	**(17 793 323)**
			Fire Services				-
2392691	23 185 312.00	**(20 792 621)**	Protection Services	011	9 008 322	26 801 645	**(17 793 323)**
			Traffic				-

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2008

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R			2009 Actual Income R	2009 Actual Expenditure R	2009 Actual Surplus/ (Deficit) R
0	**0**	**-**	**Parks & Recreation**		**-**	**0**	**-**
			Parks & Recreation				
28525	**829470**	**(800 945)**	**Waste Management**		**31 321**	**-16772**	**48 093**
28525	829470	**(800 945)**	Sewerage	030	31 321	-	**31 321**
			Public Toilets				
		-	Refuse Removal	037	-	(16 772)	**16 772**
17137934	**23150716**	**(6 012 782)**	**Roads Transport**		**37 935 753**	**36615772**	**1 319 982**
17137934	23 150 715.72	**(6 012 782)**	Roads	040	37 935 753	36 615 772	**1 319 982**
			Vehicle Licenses & Traffic				
			Transport Other				
11578626	**30959339**	**(19 380 713)**	**Water**		**52 523 689**	**49581043**	**2 942 646**
11578626	30959339	**(19 380 713)**	Water Distribution	020	52 523 689	49 581 043	**2 942 646**
			Water Purification				
0	**0**	**-**	**Electricity**		**-**	**0**	**-**
			Electricity Distribution				
			Street Lighting				
			Sub-Total				
		-	Less: Inter-Departmental Charges				**-**
257955958	**224692354**	**33263604**	**Total**		**315 086 506**	**422840303**	**(107 753 797)**

APPENDIX E (1)
ACTUAL OPERATNG VERSUS BUDGET
for the year ended 30 June 2009

		2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE						
Property rates	i-ass	8 420 480	8 700 000	279 520	3.21	
Service charges :				-		
Refuse removal	i-refuse	751 567	20 000	(731 567)	(3 657.84)	
Sewerage	i-sewer	31 321	-	(31 321)	#DIV/0!	
Water	i-wat	16 488 407	8 500 000	(7 988 407)	(93.98)	Budget was per collection rate not billing
General Services	i-serv	20 885 184	14 100 000	(6 785 184)	(48.12)	Budget was per collection rate not billing
Rental of facilities and equipment	i-rent	304 263	1 400 000	1 095 737	78.27	
Interest earned – external investments	i-intv	-	2 000 000	2 000 000	100.00	Included in R18,9 million below
Interest earned – outstanding debtors	i-intd	18 998 409	17 830 000	(1 168 409)	(6.55)	
Fines	i-fines	3 330 038	23 000 000	19 669 962	85.52	Budget incleded licencing
Licensing & permits	i-licenc	8 668 081	-	(8 668 081)	#DIV/0!	budget included on fines
Skills Development Levy-Refunded	i-skills	567 754	500 000	(67 754)	(13.55)	
Connection fee	i-conn	694 370	1 600 000	905 630		
Government grants & subsidies – operating	i-grant	218 288 477	239 315 742	21 027 265	8.79	
Approval of Building plans	i-plan	199 942		(199 942)		
Sales of Erven	i-erven	13 880 174	17 910 000	4 029 826	22.50	Sites not purhased as expected
Public contributions, donated and contributed property, plant and equipment	i-comm	-	3 500 000	3 500 000	100.00	
Other revenue	i-oth	3 578 038	4 710 000	1 131 962	24.03	low collection rate
Gains on disposal of property, plant & equipment						
Total Revenue		**315 086 506**	**343 085 742**	**27 999 236**	**8.16**	

APPENDIX E
ACTUAL OPERATNG VERSUS BUDGET
for the year ended 30 June 2008

		2009 Actual	2009 Budget	2009 Variance	2009 Variance	Explanations of significant variances greater than 10% versus budget
		R	R	R	%	
EXPENDITURE						
Employee related costs	e-sal	108 561 548	102 401 197	(6 160 351)	(6.02)	
Remuneration of councillors	e-cnls	14 602 077	17 428 520	2 826 443	16.22	annual increase
Bad debts				-		
Collection costs	e-coll	2 503 200	3 738 151	1 234 951		
Depreciation	e-depr	16 039 891	2 316 877	(13 723 014)	(592.31)	Depreciation due first time implementation of GRAP
Repairs & maintenance	e-main	18 504 023	22 635 000	4 130 977	18.25	Cashflow challenges
Water	e-bulk	5 460 191	1 000 000	(4 460 191)	(446.02)	Water purchase for the first time this year
Administrative expenses	e-gen	91 103 871	56 173 036	(34 930 835)	(62.18)	
Contracted services	e-ctrac	2 548 655	2 790 000	241 345	8.65	
Loss on disposal of property, plant & equipment	e-woff	5 109		(5 109)		
Contributions to/(transfers from) provisions	e-cont	163 511 737	500 000	(163 011 737)	(32 602.35)	Bad debts provision
Total Expenditure		**422 840 303**	**208 982 781**	**(213 857 522)**	**(102.33)**	
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(107 753 797)**	**134 102 961**	**241 856 758**	**180.35**	